

The  
GRAND UNION  
Company

ANNUAL REPORT

1938

## OFFICERS

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J. SPENCER WEED	-	-	-	-	-	-	-	-	President
LANSING P. SHIELD	-	-	-	-	-	-	-	-	Vice-President
LOUIS C. WADMOND	-	-	-	-	-	-	-	-	Vice-President
SAMUEL WINOKUR	-	-	-	-	-	-	-	-	Secretary
THOMAS C. BUTLER	-	-	-	-	-	-	-	-	Treasurer

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## DIRECTORS

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PEMBERTON BERMAN

CAXTON BROWN

JOHN FOSTER DULLES

ARCHIBALD MACFARLANE

RAY MORRIS

LANSING P. SHIELD

J. SPENCER WEED

February 11, 1939

TO THE STOCKHOLDERS:

There is submitted herewith the balance sheet as of December 31, 1938 and statement of earnings for your company for the year 1938, together with the report of our public accountants, Lybrand, Ross Bros. & Montgomery. Earnings, after all charges and taxes were \$252,416. compared with \$356,571. for the preceding year. Retail sales in 1938 amounted to \$30,397,392. compared with \$30,839,432. in 1937. Green coffee jobbing sales last year amounted to \$1,000.893. compared with \$304,111. the year before.

While general business conditions together with declining commodity markets adversely affected the company's showing during last year, it is encouraging to be able to report that sales and profits for the fourth quarter in 1938 were in excess of those for the corresponding quarter in 1937. Taxes were again higher, the amount of direct taxes being \$354,558. compared with \$340,544. in 1937.

As in the past, the company has aggressively followed changes in methods of food distribution, and has adopted in existing stores or such new stores as have been opened, the method best suited to the consumers in the territory which they serve. By this we mean that in our opinion certain territories and neighborhoods call for the super-market type of store, while in other neighborhoods a strictly service type meets the requirements of the public, and in still other communities the small self-service store meets the need where there is not sufficient buying power either to warrant a large super-market or the fully equipped delivery service store.

The chain store industry this past year has made notable progress in its campaign for better public relations and understanding of the soundness and efficiency of chain store distribution. Your company has cooperated in this movement in those areas where our business is affected. We feel that this educational campaign should be continued in order to teach the public that in their own interests they should actively resist all attempts to enact discriminatory legislation, either local, state or federal. To the degree that this is successful, it may be hoped that the mounting of this particular form of taxation will be stopped. We urge again your helpful cooperation by placing yourself on record with state and federal legislators to this end.

It is with profound sorrow that we record the death last May of Mr. Ralph T. Crane, a director since the organization of the company, whose conservative business judgment and wise counsel was of great value throughout the ten years he served on our Board.

We call your attention to the letter to stockholders enclosed herewith. We are advised by Mr. Burns and Mr. Wadsworth that they will not be able to complete their studies in time for submission at the coming annual meeting of stockholders.

Grateful acknowledgment is made to our employees for their wholehearted efforts and loyal support throughout the year.

J. SPENCER WEED,  
*President.*



THE GRAND UNION  
AND ITS SUBSIDIARIES  
**CONSOLIDATED**  
At December 31, 1934

**A S S E T S**

Current assets:

Cash on hand and demand deposits in banks	-	-	-	-	-	-	-	\$ 950,020.89	
Accounts receivable:									
Trade	-	-	-	-	-	-	-	\$ 581,543.03	
Miscellaneous	-	-	-	-	-	-	-	88,844.32	
								<u>670,387.35</u>	
Less, Allowances for losses	-	-	-	-	-	-	-	110,239.23	560,148.12
Operating advances to and receivables from agents and employees	-	-	-	-	-	-	-	-	12,409.49
Inventories at the lower of cost or market:									
Merchandise	-	-	-	-	-	-	-	2,664,971.32	
Premiums	-	-	-	-	-	-	-	238,273.21	
Supplies	-	-	-	-	-	-	-	<u>135,073.96</u>	<u>3,038,318.49</u>
Total current assets	-	-	-	-	-	-	-	-	4,560,896.99
Investments (market quotations not available):									
Mortgages, at costs, less \$8,201.50 allowance for losses	-							86,215.20	
Miscellaneous, at costs, less \$12,113.63 allowance for losses	-							<u>1,551.17</u>	87,766.37
Real estate at market values as at various dates in 1933, per appraisals of Scott Realty Appraisal Co., plus addition of \$7,868.14 representing the net amount at which a mortgage foreclosed during 1934 was previously carried and subsequent improvements at costs	-	-	-	-	-	-	-	120,089.46	
Less, Allowance for depreciation of improvements	-							<u>10,190.65</u>	109,898.81
Machinery, fixtures and equipment at costs, except as to \$1,252,821.76 at amounts at which revalued as at December 31, 1932 by Board of Directors	-	-	-	-	-	-	-	2,704,848.39	
Less, Allowance for depreciation	-	-	-	-	-	-	-	<u>1,518,683.77</u>	1,186,164.62
Premium merchandise advanced to customers, at cost less cost of profit-sharing credits	-	-	-	-	-	-	-	557,907.73	
Less, Allowance for losses	-	-	-	-	-	-	-	<u>129,281.55</u>	428,626.18
Prepaid expenses, deferred charges, deposits, etc.	-	-	-	-	-	-	-	-	142,932.24
Good will	-	-	-	-	-	-	-	-	1.00
									<u><u>\$6,516,286.21</u></u>

# ION COMPANY

BSIDIARIES

## BALANCE SHEET

er 31, 1938

### LIABILITIES

#### Current liabilities:

Bankers' acceptances against coffee received under trust receipts - - - - - \$ 84,001.28

Accounts payable, trade - - - - - 685,626.25

#### Accrued liabilities:

Taxes - - - - - \$ 132,549.43

Other - - - - - 41,135.41

Total current liabilities - - - - - 943,312.37

Employees' fidelity and other deposits - - - - - 110,952.43

#### Reserves:

For unredeemed premium tickets - - - - - 44,179.57

For real estate and investments, representing excess of selling prices over net book amounts of real estate and investments sold during 1937 - - - - - 31,740.75

75,920.32

1,130,185.12

### CAPITAL

#### Capital stock:

Convertible cumulative preference stock without par value, entitled to \$60 per share on redemption or in liquidation:

Authorized 500,000 shares

Issued and outstanding 159,550 shares of \$3 dividend series - - - - - 3,988,750.00

Notes: After giving effect to the December 1, 1938 dividend payment, the dividends on the preference stock as at that date were in arrears \$5.62½ per share.

In the opinion of counsel neither the provisions of the company's certificate of incorporation nor the statutes of Delaware create restrictions upon surplus growing out of the fact that upon liquidation the preference of the preference stock exceeds its stated value; however, the certificate of incorporation contains certain restrictions upon the payment of dividends on the common stock if such dividends would reduce net assets below specified amounts per share of outstanding preference stock.

#### Common stock, par value \$1 per share:

Authorized 750,000 shares (of which 239,325 are reserved for conversion privilege attaching to preference stock)

Issued and outstanding 289,617 shares - - - - - 289,617.00

Note: 1,000 shares of common stock are under option at \$2.50 per share to May 31, 1939 out of a total of 43,200 shares reserved for issue at not less than \$2.50 per share.

#### Capital surplus, January 1, 1938 and December

31, 1938 - - - - - \$668,242.14

Earned surplus, as annexed - - - - - 439,491.95

1,107,734.09

5,386,101.09

\$6,516,286.21



**CONSOLIDATED INCOME ACCOUNT**  
for the fifty-two weeks ended December 31, 1938

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Sales	-	-	-	-	-	-	-	-	-	-	-	\$31,398,284.45
Cost of sales	-	-	-	-	-	-	-	-	-	-	-	<u>23,092,897.84</u>
Gross profit, before depreciation	-	-	-	-	-	-	-	-	-	-	-	8,305,386.61
Selling and general expenses and depreciation:												
Store expenses, salaries of salesmen, managers and superintendents, delivery, advertising and other expenses	-	-	-	-	-	-	-	-	-	-	-	\$6,024,068.73
Rentals of stores	-	-	-	-	-	-	-	-	-	-	-	656,427.51
General and administrative expenses	-	-	-	-	-	-	-	-	-	-	-	588,556.75
Allowances for doubtful accounts and premium merchandise advanced to customers	-	-	-	-	-	-	-	-	-	-	-	102,114.07
Taxes (other than income taxes)	-	-	-	-	-	-	-	-	-	-	-	302,557.68
Depreciation of distribution equipment, etc.	-	-	-	-	-	-	-	-	-	-	-	<u>356,501.50</u>
												8,030,226.24
												<u>275,160.37</u>
Miscellaneous income, interest, etc., less miscellaneous deductions of \$13,426.69	-	-	-	-	-	-	-	-	-	-	-	29,256.13
Net income before provision for federal income tax	-	-	-	-	-	-	-	-	-	-	-	<u>304,416.50</u>
Provision for federal income tax	-	-	-	-	-	-	-	-	-	-	-	52,000.00
Net income	-	-	-	-	-	-	-	-	-	-	-	<u><u>\$ 252,416.50</u></u>

**CONSOLIDATED EARNED SURPLUS ACCOUNT**  
for the fifty-two weeks ended December 31, 1938

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Balance, January 1, 1938	-	-	-	-	-	-	-	-	-	-	-	\$386,512.95
Net income for 1938, as annexed	-	-	-	-	-	-	-	-	-	-	-	<u>252,416.50</u>
												638,929.45
Dividends paid on preference stock	-	-	-	-	-	-	-	-	-	-	-	<u>199,437.50</u>
Balance, December 31, 1938	-	-	-	-	-	-	-	-	-	-	-	<u><u>\$439,491.95</u></u>

## AUDITORS' REPORT

THE GRAND UNION COMPANY,  
New York, N. Y.

We have made an examination of the consolidated balance sheet of THE GRAND UNION COMPANY and its Subsidiaries as at December 31, 1938, and of the related statements of income and surplus for the fifty-two weeks then ended. In connection therewith, we examined or tested accounting records of the companies and other supporting evidence and obtained information and explanations from officers and employees of the companies; we also made general reviews of the accounting methods and of the operating and income accounts for the fifty-two weeks, but we did not make detailed audits of the transactions.

In our opinion, based upon such examinations, the foregoing consolidated balance sheet and related statements of consolidated income and surplus fairly present, in accordance with accepted principles of accounting consistently maintained by the companies during the fifty-two weeks under review, the consolidated position of the companies at December 31, 1938 and the consolidated results of their operations for the fifty-two weeks then ended.

LYBRAND, ROSS BROS. & MONTGOMERY

New York, February 10, 1939.

